



STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
PO Box 45010, Olympia WA 98504-5010

November 2, 2001

Thomas Scully, Administrator
Centers for Medicare and Medicaid Services
Department of Health and Human Services
C5-11-03
7500 Security Boulevard
Baltimore, Maryland 21244

Dear Mr. Scully:

Enclosed is an 1115 demonstration application from the Washington State Department of Social and Health Services (DSHS). The purpose of this waiver is to provide our state flexibility to administer its Medicaid program to better sustain health coverage for our low-income residents, and to use our unspent State Children's Health Insurance Program (SCHIP) allotment to help expand coverage for uninsured parents with Medicaid and SCHIP children and for other childless adults.

Washington is requesting a unique demonstration waiver. The waiver would allow us programmatic flexibility to adopt cost-sharing, benefit design flexibility, and enrollment cap options for our Medicaid program. The requested program flexibility builds upon, and is consistent with, both Congressional, and the Centers for Medicare and Medicaid Services (CMS) strategies to offer coverage to low-income children and families. Our waiver provisions are the same as other states have been granted to administer SCHIP. These provisions also build upon the National Governors' Association (NGA) HR-32 Health Reform Policy and the Administration's recently announced Health Insurance Flexibility and Accountability (HIFA) demonstration initiative.

Unlike other demonstration waivers that adopt changes at the beginning of their waiver period, Washington would only adopt these programmatic changes if they are needed to help sustain coverage. Washington's waiver also differs from other demonstration waivers in that it is not proposing to make Title XIX funding available for new expansion populations or services. Any changes in program coverage would only be those allowed under Medicaid law. Thus, our Medicaid waiver by definition comports with budget neutrality requirements.



The requested flexibility is not open-ended. The waiver includes limits on the options to ensure that our vulnerable populations continue to have access to medically appropriate care. The waiver sets the same cost-sharing maximums that are allowed under SCHIP and HIFA. It adopts a "benefit floor," which is greater than the federal minimum mandatory requirements for either Medicaid Categorically Needy or Medically Needy coverage. Implementing any changes made possible through the waiver would require approval by the Washington State Legislature and review by CMS to ensure that the program changes are consistent with the terms and conditions negotiated in the demonstration waiver.

Washington's demonstration is also requesting authority to use its unspent Title XXI allotment to expand coverage through our state's Basic Health (BH) program for parents of Medicaid and SCHIP children and for other childless adults. This expansion could allow us to combine federal and state funds to make available an estimated additional 20,000 BH slots. The SCHIP and BH expansion would be limited to our Title XXI allotment, and thus ensure allotment neutrality.

We are requesting this demonstration at a critical time for our state. In spite of current cost containment initiatives, medical expenditures, excluding DSH and ProShare payments, for our Medical Assistance programs are projected to increase 9 percent per year during the 2001-2003 biennium. In comparison, state general fund expenditures needed to finance our Medicaid program are restricted under the state's spending initiatives and are forecasted to increase at less than 3 percent per year.

Our state is now facing an even greater crisis. The potential deficit for this biennium could be as large as \$1 billion. In order to prepare for this possibility, the Governor has already asked DSHS and other state agencies to prepare 15 percent reduction options.

As it stands today, the only available options under Medicaid to address possible budget constraints are wholesale cuts in programs. This means elimination of entire programs or entire eligibility groups, or services. Furthermore, if clients are in the middle of a treatment program, they may lose their medical benefits and thus future treatments. These options are too extreme and insensitive to our clients' needs.

We believe that our demonstration waiver will help in this time of growing fiscal crisis. The waiver also offers better policy options for helping sustain our Medicaid program beyond the forthcoming crisis.

We know that our waiver is ground-breaking. We are asking for flexibility in fundamental aspects of the Medicaid program, including such areas as waiving EPSDT requirements for higher-income children and imposing enrollment limits for optional eligibility groups. However, as outlined above, Congress has already acknowledged the flexibility we are asking in the adoption of SCHIP and by the Administration in its HIFA

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initiative. We are prepared to work with you and your staff to ensure that other necessary safeguards are included in the waiver.

I would be glad to meet with you to discuss our waiver proposal and how CMS would like to proceed with its review and approval. Our state will be developing its program and budgets for the 2003-2005 biennium beginning next April. The Governor and I would like to have a waiver in place by then to help us prepare for the next biennium.

I will have my staff contact your office about arranging a meeting to discuss our waiver. Your time and attention with this application will be most appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis Braddock", written in a cursive style.

DENNIS BRADDOCK
Secretary

Enclosure

cc: Governor Locke